

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2096-01
Bill No.: HB 882
Subject: Gambling; Horse Racing.
Type: Original
Date: March 6, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Missouri Horse Racing Fund	\$0	\$0	\$0
Horse Racing For Education Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Missouri Breeders Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>All</u> State Funds	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Public Defender** assumes that existing staff could provide representation for those cases arising where indigent persons were charged with operating pari-mutuel wagering without a license. However, passage of more than one similar bill would require the State Public Defender System to request increased appropriations to cover cumulative cost of representing the indigent accused in the additional cases.

Officials from the **Office of the Secretary of State (SOS)** assume this bill makes changes in the pari-mutual wagering law and creates the Horse Racing for Education Fund. The Missouri Horse Racing Commission will promulgate rules to implement this bill. Based on experience with other divisions, the rules, regulations and forms issued by the Missouri Horse Racing Commission could require as many as 126 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register in the Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. The actual cost could be more or less than the numbers given of \$7,749. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Prosecution Services** state any costs related to this proposal could be absorbed within current resources.

Officials from the **Office of the State Courts Administrator** assume this proposal would not fiscally impact their agency.

Officials from the **Office of Administration - Budget and Planning** state that the Gaming Commission is better suited to respond to this proposal.

In response to similar legislation from a previous session, officials from the **Department of Corrections (DOC)** stated this proposal changes some of the criteria for current offenses that have punishments ranging from class A misdemeanors to class B felonies. Class A misdemeanors are also added for specific violations of pari-mutuel wagering operations.

The DOC could not predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the

ASSUMPTION (continued)

utilization by prosecutors and the actual sentences imposed by the court. If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in operational costs either through incarceration (average of \$35 per inmate, per day) or through supervision provided by the Board of Probation and Parole (average of \$3.50 per offender, per day)

The following factors contribute to DOC's minimal assumption:

- The DOC assumes the narrow scope of the current crimes will not encompass a large number of offenders,
- the DOC impact would be for supervision for probation for the newly added class A misdemeanor, and
- the probability exists that offenders would be charged with a similar but more serious offense.

Supervision by the DOC through probation or incarceration would result in some additional costs but it is assumed that the impact would be minimal.

In response to similar legislation from a previous session, officials from the **Missouri Gaming Commission (GAM)** assumed the Horse Racing Commission would require thirteen FTE to implement the duties outlined in this proposal, which would include 5 officers of the Highway Patrol. They would also request expenses and equipment to include training, office equipment, and patrol cars.

Based on responses received to a similar proposal from a previous session, **Oversight** assumes that 6 FTE would be sufficient to accomplish the duties outlined in this proposal. The 6 FTE would consist of an Executive Director, a Security Director, a Licensing Director, a Pari-Mutuel Director, an Executive Secretary, and an Information Support Coordinator. Costs would include related equipment and expenses for these FTE.

In response to a similar proposal from a previous session, officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** stated the Missouri Horse Racing Commission may request MHP to investigate or participate as needed. If the Commission decides not to request assistance, there would be no fiscal impact on MHP. However, if the Commission decides to request assistance, as the Gaming Commission has, MHP assumes 5 additional FTE, including a sergeant, a corporal, and three troopers, would be needed to perform background and investigative support. **Oversight** assumes that statutory authority currently exists for enforcement of horse racing facilities, and has not shown any additional costs for this provision.

MHP further assumes that because there will not be a large number of facilities that will apply

ASSUMPTION (continued)

for licensing in the beginning, the Criminal Records and Identification Division will not need additional personnel. However, if many facilities are involved, additional personnel and equipment may be necessary.

Oversight Assumptions

Currently there are no horse racing facilities in Missouri, therefore, **Oversight** assumes the Department of Public Safety - Missouri Horse Racing Commission would not hire the FTE until such time that possible horse racing ventures were proposed and planned. Oversight has ranged the FTE required by the Horse Racing Commission from 0 (if no horse racing facilities are planned) to 6 FTE. Oversight also ranged the revenue generated by the Missouri Horse Racing Fund from 0 to Unknown, depending upon if horse racing facilities develop in the state. Oversight assumes any revenue into the Missouri Horse Racing Fund will at least cover the costs of the Missouri Horse Racing Commission, however, if expenditures are incurred by the Commission and no revenue is generated, the General Revenue Fund may have to fund the Missouri Horse Racing Fund for any costs. Any excess revenues over costs in the Missouri Horse Racing Fund will be transferred to the Horse Racing For Education Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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MISSOURI HORSE RACING FUND

<u>Income</u> - various possible sources including licensing fees, penalties, wagering, commissions, etc.	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Costs</u> - Horse Racing Commission*			
Personal Service (6 FTE)	\$0 to (\$162,238)	\$0 to (\$199,553)	\$0 to (\$204,542)
Fringe Benefits	\$0 to (\$54,074)	\$0 to (\$66,511)	\$0 to (\$68,174)
Expense and Equipment	<u>\$0 to (\$290,510)</u>	<u>\$0 to (\$188,193)</u>	<u>\$0 to (\$193,839)</u>
Total Costs - Horse Racing Commission*	\$0 to (\$506,822)	\$0 to (\$454,257)	\$0 to (\$466,555)

<u>Transfer</u> - surplus transferred to Horse Racing For Education Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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ESTIMATED NET EFFECT TO MISSOURI HORSE RACING FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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* SUBJECT TO APPROPRIATION

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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HORSE RACING FOR EDUCATION FUND

<u>Income</u> - Transfer from Missouri Horse Racing Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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MISSOURI BREEDERS FUND

<u>Income</u> - portion of mutuel pool bets	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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\$0	\$0	\$0
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal makes numerous changes to the Missouri Horse Racing Commission and its powers and duties. In its main provisions, the proposal:

- (1) Specifies requirements for commission members; current law does not list any requirements;
- (2) Establishes procedures for filling member vacancies, assigns the commission to the Department of Public Safety instead of to the Missouri Gaming Commission, and authorizes the commission to hire employees, which is prohibited in current law;
- (3) Requires all licensing revenues to be deposited into the Missouri Horse Racing Fund, except for amounts designated for the Missouri Breeders Fund. The Horse Racing Fund will pay the commission's expenses, and any surplus will be deposited into the Horse Racing for Education Fund, subject to appropriation. Current law requires all moneys to be deposited into the Missouri Horse Racing Fund, subject to appropriation;
- (4) Requires that the 3 stewards appointed by the commission to be at each horse race meeting be certified by the Association of Racing Commissioners International. Current law does not

DESCRIPTION (continued)

require certification;

(5) Authorizes the commission to license applicants for tracks and pari-mutuel wagering facilities and to impose penalties on non-compliant licensees;

(6) Outlines the powers of the commission and specifies grounds for disciplinary action by the commission against licensees;

(7) Authorizes simulcasts of horse races;

(8) Makes licenses valid until revoked for cause;

(9) Establishes application procedures, including a \$50,000 application fee;

(10) Requires an applicant to affirm that it will conduct at least 50 days of live racing in Missouri each year and that it will make a capital investment in its race meeting grounds in Missouri of at least \$25 million within the first year of operation;

(11) Makes the pari-mutuel system to be used by the licensee subject to commission approval and outlines additional requirements of pari-mutuel systems and duties of the operators of the systems;

(12) Repeals the requirement that all of the licensee's contracts for payment of compensation and any improvements to the property be subject to commission approval;

(13) Repeals fees for registration of stable names; under current law, these fees are deposited into the General Revenue Fund;

(14) Designates certain percentages of wagers to be paid to the commission, the Missouri Horse Racing Fund, and the Missouri Breeders Fund;

(15) Prohibits individuals from taking wagers for a fee outside of the licensed race meeting grounds and prohibits unauthorized gambling at a licensed race meeting grounds track. Violation is a class C felony; and

(16) Makes it a class A misdemeanor to operate pari-mutuel wagering without an appropriate license or in a manner other than authorized.

(17) Allows patrons to cash an outstanding associated pari-mutuel ticket for a race for up to 180 days from the date on which the race is made official. Tickets not redeemed within 180 days have no value.

DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the State Public Defender
Office of the Secretary of State
Office of Prosecution Services
Office of the State Courts Administrator
Office of Administration - Budget and Planning
Department of Corrections
Missouri Gaming Commission
Department of Public Safety - Missouri Highway Patrol

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director

March 6, 2001